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Without regulatory approval, CTC-VS is required to expense the Y2K costs in the year that the expenses were incurred.

As a support for its request, Citizens and CTC-VS offer three (3) reasons for seeking a deferral of their Y2K costs: (1) the problem is not within the control of Citizens; (2) the expenditures are not typical and infrequently occur; and (3) deferral accounting is necessary to afford each company a fair opportunity to recover these costs, and to avoid distorting current year financial results.

The Authority deliberated on a similar Y2K deferral request in Docket No. 98-00064, in which Nashville Gas Company ("NGC") requested that its Y2K compliance costs be deferred in order that the costs could be recovered in a subsequent rate case. In an Order issued on December 30, 1998, the Authority denied NGC's request.

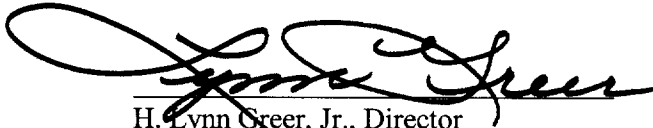
In Docket No. 98-00064, NGC failed to persuade the Authority to act in a manner contradictory to the decision of the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board's ("FASB") that determined that Y2K costs should be expensed in the year incurred. EITF Issue No. 96-14, *Accounting for the Costs Associated with Modifying Computer Software for the Year 2000*, provides guidance on how companies are to account for Y2K costs. This publication states that: "The Task Force reached a consensus that external and internal costs specifically associated with modifying internal-use software for the year 2000 should be charged to expense as incurred." In a data request issued by the Authority on January 6, 1999, Citizens was asked to provide copies of any FCC orders, rulings, or pronouncements that would permit them to defer their Y2K costs. On January 22, 1999, the companies responded that: "Citizens knows of no FCC orders, rulings, or pronouncements that would allow or disallow the proposed deferral of Y2K costs."

Neither the Authority nor Citizens is aware of any FCC orders, rulings, or pronouncements that would permit the deferral of the Y2K costs. Therefore, the Authority is guided by EITF Issue No. 96-14 guidelines, which state that Y2K costs should be expensed in the year incurred. For these reasons, the Authority finds that the Petition requesting deferral of Citizens Y2K costs should be denied.

IT IS THEREFORE ORDERED THAT:


The petition of Citizens Utilities Company and Citizens Telecommunications Company of the Volunteer State, LLC to defer year 2000 compliance costs is denied.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary